

**ERRATA SHEET OF  
ZACHARY J. PAYNE  
ON BEHALF OF  
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF  
DOCKET NO. 2018-318-E  
IN RE: APPLICATION OF DUKE ENERGY PROGRESS, LLC FOR ADJUSTMENTS  
IN ELECTRIC RATE SCHEDULES AND TARIFFS AND REQUEST FOR AN  
ACCOUNTING ORDER**

The following changes are made to my Direct Testimony:

**Direct Testimony**

Page 2 of 16, lines 15-27:

“The Governmental Accounting Standards Board’s (GASB) statement No. 62 provides, among other things, general standards of accounting for the effects of regulation and states that:

A regulated business-type activity should capitalize all or part of an incurred cost that otherwise would be charged to expense if both of the following criteria are met:

- a. It is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.
- b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs.

In other words, GASB identifies the key criteria the utility must meet to capitalize costs through an approved regulatory asset as:”

Should read:

“The Financial Accounting Standards Board’s (“FASB”) ASC 980 provides, among other things, general standards of accounting for regulated operations and ASC 980-340-25-1 specifically states that:

- An entity shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:
- a. It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.
  - b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs.

In other words, FASB identifies the key criteria the utility must meet to capitalize costs through an approved regulatory asset as:”

Page 3 of 16, lines 4-8:

“GASB statement No. 62 also indicates the utility should accrue ‘carrying charges’ on the regulatory asset:

During the period between the date on which the new asset is recognized and the date on which recovery begins, the carrying amount should be increased by accruing a carrying charge.” Should be removed.

Page 3 of 16, line 9:

Replace “GASB” with “FASB”.

Page 9 of 16, lines 4-7:

“ORS also agrees with the Company’s proposal to accrue a return on the balance as GASB Statement 62 directs regulated businesses such as the Company to accrue a carrying charge on deferred cost regulatory assets from the time the assets are created until recovery of the asset begins.” Should be removed.